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ABSTRACT

In October 1994 the President signed into law H.R. 6, P.L. 103-382, the Improving America's Schools Act (IASA). Impacts of the IASA, which extends and amends the Elementary and Secondary Education Act and related federal legislation, including the Title I program of aid for the education of disadvantaged children, are explored. More funds will be targeted for high poverty schools, and more programs will be operated on a schoolwide basis. Rules of participation for disabled or limited-English-proficient students are simplified, and coordination of education with other social and health services for students is encouraged. Funds can be used to support programs of choice among public Title I schools. More professional development is encouraged, and more extensive planning is required from states and local education agencies. The revised Title I will encourage greater parental involvement, and will authorize two types of national assessments of Title I and its effects, along with discretionary grants to demonstrate new approaches to educating the disadvantaged. Some minor adjustments are made to participation by private schools. Five tables, two of which are in the appendix, summarize changes and new approaches. An appendix provides data related to effort and equity factors for the incentive grant formula. (SLD)

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CRS Report for Congress

ED 385 625

Education for the Disadvantaged: Analysis of 1994 ESEA Title I Amendments Under P.L. 103-382

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November 18, 1994

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EDUCATION FOR THE DISADVANTAGED: ANALYSIS OF 1994 ESEA TITLE I AMENDMENTS UNDER P.L. 103-382

SUMMARY

On October 20, 1994, the President signed into law H.R. 6, P.L. 103-382, the Improving America's Schools Act (IASA). The IASA extends and amends the Elementary and Secondary Education Act (ESEA) and related Federal legislation, including the title I program of aid for the education of disadvantaged children.

The IASA authorizes two new allocation formulas, but their impact is limited to future increases in appropriations. Funds up to the FY 1995 appropriation level will continue to be allocated under slightly modified versions of the previous title I basic and concentration grant allocation formulas, while a new targeted grant formula may be used for appropriations above this amount. The targeted grant formula provides higher grants per child to local educational agencies (LEAs) in counties with very high numbers or percentages of school-age children from poor families. The legislation also authorizes a new education finance incentive grant formula, that takes into consideration measures of State school funding variations and fiscal effort--expenditures in relation to income.

P.L. 103-382 requires States to adopt curriculum content and pupil performance standards, plus related assessments, such as those developed under the Goals 2000: Educate America Act, in order to continue receiving title I grants. These standards and assessments will be used as the basis for rewarding successful programs and taking corrective actions against unsuccessful ones. However, the Department of Education may not require that any specific standards be adopted by States or LEAs, or that States participate in Goals 2000 in order to be eligible for title I.

In several respects, the IASA changes the structure and format of title I programs. There will be somewhat greater targeting of funds on high poverty schools; more programs will be operated on a schoolwide basis (i.e., services may benefit an entire school, rather than being focused only on the most disadvantaged pupils in a school); rules for participation by disabled or limited English proficient pupils are simplified; coordination of education with other social and health services to pupils is encouraged; funds can be used to support programs of choice among public title I schools; greater attention is paid to professional development of teachers and other staff; and more extensive planning by States and LEAs is required. While broad regulatory waiver authority provides a potential for greater flexibility in several respects to States and LEAs, it might be questioned whether, in net, the IASA offers more flexibility, or less, to States, LEAs, and schools receiving title I grants.

The revised title I encourages greater involvement by parents and other community members through planning requirements, school-parent compacts, and required use of at least 1 percent of grants for this purpose. It authorizes two types of national assessments of title I and its effects, as well as discretionary grants to demonstrate new approaches for educating disadvantaged pupils, including projects to improve pupils' transition from preschool through the early elementary grades. Finally, relatively minor amendments are made to provisions for participation in title I by private school pupils, such as expansion of requirements for consultation between public and private school authorities.

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EDUCATION FOR THE DISADVANTAGED: ANALYSIS OF 1994 ESEA TITLE I AMENDMENTS IN P.L. 103-382

On October 20, 1994, the President signed into law H.R. 6, P.L. 103-382, a substantially modified version of the Improving America's Schools Act (IASA) that was earlier offered by the Clinton Administration. The IASA extends and amends the Elementary and Secondary Education Act (ESEA) and related Federal legislation, including the title I[1] program of aid for the education of disadvantaged children. For a description of the entire IASA, see: U.S. Library of Congress. Library of Congress. *Improving America's Schools Act: An Overview of P.L. 103-382*. CRS Report for Congress No. 94-872 EPW, by James B. Stedman, coordinator. Oct. 28, 1994. This report provides a description and analysis of major title I local educational agency (LEA) grant provisions of P.L. 103-382, which are primarily in part A. In general, it does not provide substantial background information or analysis of previous program provisions or of differences between the final IASA and the Administration's proposal[2]; nor does it discuss title I programs other than grants to LEAs.[3]

Highlights of the revised title I legislation include the following:

- P.L. 103-382 postpones most allocation formula changes until FY 1996, provides for continued use of slightly revised versions of the previous basic and concentration grant formulas to allocate an amount of each year's appropriation equal to the FY 1995 appropriation, and then use of a new, targeted formula under which future appropriations in excess of this level may be allocated. It also authorizes another new formula beginning in FY 1996, for education finance incentive grants, which takes into consideration expenditure disparities among the LEAs of each State and a measure of State average expenditures compared to income.

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[1]Between its previous reauthorization in 1988 (P.L. 100-297) and the adoption of P.L. 103-382, this program was chapter 1 of title I, ESEA. The IASA redesignates the program as simply ESEA title I, by which it was identified between its initial authorization in 1965 and 1981. Between 1981 and 1988, the program was chapter 1 of the Education Consolidation and Improvement Act (ECIA).

[2]For further information on provisions of previous law or the Administration's proposal, see: U.S. Library of Congress. Congressional Research Service. *Chapter 1 [Title I], ESEA--Analysis of Amendments Proposed in the Improving America's Schools Act*. CRS Report for Congress No. 93-1052, by Wayne Riddle. Washington, 1993; *Chapter 1 [Title I]--Education for Disadvantaged Children: Reauthorization Issues*, CRS Report for Congress No. 92-878 EPW, by Wayne Riddle. Washington, 1992; and *Title I, Education for Disadvantaged Children: Reauthorization Issues*. CRS Issue Brief IB92132, by Wayne Riddle. Regularly updated.

[3]While the majority of title I grants are made under part A: grants to LEAs, title I also authorizes State agency programs for migratory and neglected or delinquent children, plus Even Start grants to jointly serve disadvantaged preschool-age children plus their parents. The title I programs other than grants to LEAs are not covered in this report. The other provisions of the revised title I are described in: U.S. Library of Congress. Congressional Research Service. *Improving America's Schools Act: An Overview of P.L. 103-382*. CRS Report for Congress No. 94-872 EPW, by James B. Stedman, coordinator. Washington, 1994.

- Aside from the six States with the fewest poor children, where grants are generally increased by a rise in minimum grant provisions, estimated county grants are higher under the new targeted grant formula than under the previous basic and concentration grant formulas if the county has very high numbers (approximately 30,000 or higher) or percentages (approximately 30 percent or higher) of poor and other children counted in the formula. Targeted formula grants are also higher than previous law for certain, mostly suburban, counties with relatively high numbers, but low percentages, of poor children.

- The education finance incentive grant benefits States with relatively high effort, defined as high public education expenditures per pupil, compared to personal income per capita, and low variations in expenditures per pupil among the State's LEAs. The effort measure tends to be higher for States where children constitute a relatively low proportion of the total population. It also differs from other title I formulas in its use of total, not poor, school-age children as its population factor.

- From a comparison of the two new formulas in P.L. 103-382, it is evident that many more States would receive higher grants under the education finance incentive grant formula than the targeted formula, although those estimated to receive higher grants under the targeted formula include most of the States with the largest population and those with the highest number of very poor rural counties.

- The IASA requires States to adopt content and pupil performance standards in order to continue receiving title I grants, and to use these as the basis for rewarding successful programs and taking corrective actions against unsuccessful ones. However, the Department of Education cannot require that any specific standards be adopted, or that States participate in programs supported under the Goals 2000: Educate America Act.

- Within LEAs, the revised title I will target funds more on high poverty schools, allow more programs to be operated on a schoolwide basis, attempt to clarify rules for participation by disabled or limited English proficient pupils, encourage coordination of education with other social and health services to pupils, authorize the use of funds to support programs of family choice among public title I schools, and require more planning by States and LEAs, while providing greater flexibility in several other respects. In spite of broad regulatory waiver authority, it might be questioned whether, in net, the IASA offers more flexibility, or less, to States, LEAs, and schools receiving title I grants.

- The revised title I statute encourages greater involvement by parents and other community members in title I programs through required participation in planning processes, school-parent compacts, and required use of at least 1 percent of grants for parent involvement activities.

- P.L. 103-382 authorizes two types of national assessments of title I and its effects, as well as discretionary grants to demonstrate new approaches for educating disadvantaged pupils, including projects to improve eligible pupils' transition from preschool through the early elementary grades.

This report is organized according to major provisions and characteristics of the revised title I legislation--allocation formulas, program structure and strategy, etc. In each of these areas, the major amendments to previous law are described, and their probable impact is analyzed. An appendix contains tables of State data related to the new education finance incentive grant allocation formula.

ALLOCATION FORMULAS

Previous Law

P.L. 103-382 postpones most formula changes until FY 1996, provides for continued use of slightly revised versions of the current formulas to allocate an amount of each year's appropriation equal to the FY 1995 appropriation, then a new, targeted formula under which future appropriations in excess of this level may be allocated. It also authorizes another new formula, for school finance incentive grants, to supplement basic, concentration, and targeted grants.

Prior to the enactment of P.L. 103-382, there were two title I LEA grant allocation formulas, for basic and for concentration grants, although funds from both formulas were combined by recipient LEAs and used jointly. Each was based on each county's number of formula children multiplied by a State expenditure factor. The **formula children** were those aged 5-17: (1) in poor families, according to the latest decennial census and applying the Census Bureau's standard poverty income thresholds; (2) in families receiving Aid to Families with Dependent Children (AFDC) payments above the poverty income level for a family of four; and (3) in certain institutions for neglected or delinquent children and youth. The number of poor children counted in the title I allocation formula has been much greater than the other two groups of children, constituting approximately 96 percent of the total children counted.[4]

The title I **expenditure factor**, by which formula child counts were multiplied to calculate maximum authorized title I payments, was the State average per pupil expenditure (SAPPE), held to limits of 80 and 120 percent of the national average, and further multiplied by a "Federal share" of 0.4. Thus, an average payment of 40 percent

[4]However, the nonpoor children counted in the title I LEA grant formulas are especially important to certain States and localities, where they constitute a much higher share of those counted than the national average of 4 percent. For individual States, the nonpoor children counted under the formula vary from 0.4 to 13.4 percent of total formula children. For a few individual counties or LEAs, the nonpoor formula children may constitute one-third or more of the total.

of the SAPPE for each poor and other child counted was established in the basic grant formula as the maximum level of supplementary funding. While the formula child factor was assumed to measure need for title I funds, the cost factor was intended to measure, within limits, variations among the States in the costs of delivering elementary and secondary education services. One problem with this concept is that the cost factor reflects relative State income or wealth as well as differences in costs.

Between 1988 and 1994, the statute required that 10 percent[5] of LEA grant appropriations be allocated using the **concentration grant** formula, under which only LEAs in counties where formula children equal either 6,500 children, or 15 percent of the total population aged 5-17, were eligible to receive grants. The concentration grants were not a separate program from basic grants--they were simply a supplementary fund distribution mechanism.

There was a "hold harmless" provision whereby no county or LEA may receive a basic grant that was less than 85 percent of its previous year grant. However, there was no hold harmless for concentration grants. There were also State minimum provisions of up to 0.25 percent of total grants for basic and concentration grants.[6]

Concerns Regarding Previous Law Formulas

1990 Census. Title I allocation shares shifted substantially among States and localities as 1990 census data on children in poor families were used to make allocations beginning with 1993-94 grants. While the aggregate number of poor school-age children in the 50 States and the District of Columbia was found to have increased by 6 percent between 1980 and 1990, the change in the number of such children in individual States varied widely, from a decrease of 38 percent to an increase of 58 percent. In general, State shares of the poor school-age population were found to have substantially increased in virtually all Southwestern, Northwestern, and Rocky Mountain States, plus some States in the upper Midwest (Michigan, Minnesota, Ohio, and Wisconsin); and to have decreased in the New England, Mid-Atlantic, and Southeastern States.

The relatively large shifts in the distribution of children from poor families between 1980 and 1990 also brought attention to the long time gap between decennial census collections. In theory, such large shifts in allocation shares could be avoided, and grants more accurately reflect the current distribution of poor children, if census data could be updated more often than once every 10 years. Such an updating mechanism is expected to be available every 2 years, beginning in 1996, and the IASA assumes that updated data will be used to make title I grants (see below).

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[5]FY 1994 appropriations legislation raised this share to approximately 11 percent.

[6]A series of "caps" on the State minimums have kept grants for most small States below the full 0.25 percent of total grants. The most effective of these caps has been a limit of 150 percent of the national average grant per child counted under the formula, multiplied by the State total number of such children. As is described further below, these caps are increased for all title I, part A formulas by P.L. 103-382.

Targeting. As noted earlier, the ESEA previous to P.L. 103-382 provided that 10 percent of title I LEA grants should be allocated as concentration grants (FY 1994 appropriations legislation raised this to 11 percent). Both basic and concentration grants were spread rather broadly, and many LEAs with high average income levels and very low poverty rates have received title I grants. Approximately 90 percent of LEAs received basic grants; those that did not participate were not usually wealthy LEAs, rather they were tiny LEAs that could not meet a basic grant threshold of 10 poor school-age children. The concentration grant formula, which is continued with little change under P.L. 103-382, was not highly concentrated or focused. The 15 percent threshold was below the national average proportion of school-age children counted in the title I formula (just above 18 percent using 1994-95 data), and approximately two-thirds of all children resided in counties that met one of the eligibility thresholds.

As a result, many have expressed interest in increasing the targeting of title I grants, both to LEAs and to schools. For grants to LEAs, possibilities that were considered by the 103rd Congress included raising the concentration grant eligibility threshold and/or increasing the share of funds distributed as concentration grants; introducing an "absorption factor" for grants such that only LEAs with poverty rates above some minimum level (e.g., 5 percent) receive any grants, and only formula children above this threshold would be counted in making grants to the remaining eligible LEAs; or adopting a "weighted pupil" formula--establishing a multi-step scale whereby an LEA's level of grants **per formula child** would increase, the higher the LEA's child poverty rate or number of poor children. The version of the IASA proposed by the Administration included a higher percentage (but not number) threshold for concentration grants, a higher share of funds distributed as concentration grants, and a 2 percent absorption factor. Elsewhere, weighted pupil formulas were recommended as a replacement for both basic and concentration grants in reports by an independent National Commission on Title I and the Rand Corporation, and P.L. 103-382 contains such a formula (see below).

Nevertheless, proposals for substantially increased targeting of title I grants met with opposition from many Members of Congress. Some felt that there should be greater targeting of funds on relatively high poverty schools within LEAs, but not necessarily on high poverty LEAs. Others argued that various targeting proposals, including that from the Administration and the targeted grant formula in the IASA (see below), had an "urban bias," and underemphasized concentrations of poverty in rural areas or small cities. Others felt that a distribution of aid generally in proportion to each county's or LEA's number of children in poor families was most "fair."

Finally, now that appropriate LEA-level population data have become available, there has also been interest in having the Federal Government determine grants at the LEA, rather than county, level. This could also make possible greater targeting of aid because LEAs are generally smaller and more varied demographically than counties. The 1990 census has been compiled by LEA with sufficient accuracy to make it possible to target title I grants directly to their ultimate recipients, the LEAs, rather than using the intermediary of county data. P.L. 103-382 requires ED to calculate grants based on LEA, not county, population data, but only beginning in FY 1999.

Administration Proposal. The Clinton Administration's version of the IASA would have made several changes intended to at least moderately increase the targeting of title I LEA grants on high poverty areas. They included the following: 50 percent of appropriations would be allocated under each of the basic and concentration grant formulas; a 2 percent "absorption factor" would be applied to both basic and concentration grants, although county eligibility for concentration grants (i.e., whether they met the thresholds in terms of their number or percentage of formula children) would be determined before this reduction; and the concentration grant thresholds would be changed to 6,500 or the national average percentage (rounded to 18 percent), and all formula children (after application of the 2 percent absorption factor) would be counted in allocating funds to all eligible counties, including counties that meet only the 6,500 formula child threshold. In general, these changes would have resulted in higher grants to counties with high numbers or percentages of poor and other children counted in the title I LEA grant formulas.

However, these proposals were not accepted by the Congress, mainly due to the relatively large reductions in grants that would have occurred for many areas. Over time, after declining (85 percent of previous year grants) hold harmless provisions lost their effect, grants would have declined by approximately one-half or more for counties not eligible for concentration grants (i.e., fewer than 6,500 formula children and a formula child percentage below 18 percent). Estimated losses would have been especially high for rural counties with a child poverty rate below the 18 percent national average, while many urban counties, with 6,500 or more formula children, would receive the same or higher grants, although their poverty rates were much lower.[7]

Formula Provisions Under P.L. 103-382

P.L. 103-382 postpones most formula changes until FY 1996, provides for continued use of slightly revised versions of the previous basic and concentration grant formulas to allocate an amount of each year's appropriation equal to the FY 1995 appropriation, then authorizes a new targeted grant formula under which future appropriations in excess of this level may be allocated. It also authorizes another new formula, for education finance incentive grants, which takes into consideration expenditure disparities among the LEAs of each State and a measure of State average expenditures compared to income. It will presumably be determined in the appropriations process whether any post-FY 1995 increases in title I appropriations will be allocated as targeted or school finance incentive grants.

Funds Up to the FY 1995 Appropriation Level

First, funds up to the **FY 1995 appropriation level** ($6,566 million in grants to States) will be allocated using **basic and concentration grant** formulas that are the same

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[7]For a more complete analysis of the allocation patterns under the Administration's proposed title I formula provisions, see: U.S. Library of Congress. Congressional Research Service. *Chapter 1 [Title I], ESEA--Analysis of Amendments Proposed in the Improving America's Schools Act.* CRS Report for Congress No. 93-1052, by Wayne Riddle. Washington, 1993.

as previous law, with five exceptions. First, the State minimum grant level is effectively raised for each of these formulas.[8] Second, a marginal change is made to the concentration grant formula. If a county meets the 6,500 poor child threshold, but not the 15 percent threshold, then all formula children, not just those above 6,500 (as was the case previously), would be counted in calculating concentration grants. Third, **beginning in FY 1999**, all grants will be calculated on the basis of poor child population data for LEAs, in contrast to the current two-step process whereby the U.S. Department of Education (ED) calculates grants by county, then the States suballocate county totals to LEAs.[9] The fourth change from previous law is that data on children in poor families will be updated every 2 years, beginning in FY 1996, assuming current Census Bureau update plans are carried out. Fifth, LEAs with child poverty rates below 2 percent will no longer be eligible for basic or concentration grants, although it is unclear whether the loss of funds to these LEAs will be immediate or gradual (i.e., whether the basic grant hold harmless provision will apply to them).

Targeted Grant Formula

Next, P.L. 103-382 provides that part A **appropriations in excess of the FY 1995 level**, other than funds appropriated for education finance incentive grants (see below), will be allocated under a new targeted grant formula (section 1125). This formula is similar to that for basic grants, except that the poor and other children counted in the formula are assigned weights based on the county's or LEA's child poverty rate and number of poor school-age children. As a result, a county or LEA will receive higher title I grants **per child** counted in the formula, the higher its poverty rate or number. The maximum weight assigned to poor children in counties (for FY 1996-98) or LEAs (beginning in FY 1999) with the highest poverty *rates* is 4, and for those with the highest *numbers* of poor children is 3, while the weight for children in the lowest poverty (either rate or number) counties or LEAs is 1.

Weighted pupil formulas have been recommended for title I recently by several groups, including an independent Commission on Chapter 1,[10] the RAND Corporation,[11] and the General Accounting Office (GAO).[12] However, these groups apparently intended that the concept be applied to **all** grants, not just those above current appropriations levels.

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[8]In general, the new cap is the average of the previous cap and a full 0.25 percent of grants.

[9]An exception is made for New York City and Hawaii, where each of their counties would be treated as if they were separate LEAs.

[10]Commission on Chapter 1. *Making Schools Work for Children of Poverty*. 1992.

[11] Rotberg, Iris C., and James J. Harvey. *Federal Policy Options for Improving the Education of Low-Income Students*. 1993.

[12]U.S. General Accounting Office. *Remedial Education: Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need*. GAO/HRD-92-16, July 1992.

TABLE 1. Pupil Weights Assigned to Counties (FY 1996-1998) Under Targeted Formula of P.L. 103-382		
County weight for poor and other formula children	**Number range (i.e., number of poor and other formula children)**	**Percentage range (formula children as a percentage of total school-age population)**
1.00	0-1,917	0-12.2%
1.50	1,918-5,938	
1.75		12.3-17.7%
2.00	5,939-20,199	
2.50	20,200-77,999	17.8-22.8%
3.00	78,000+	
3.25		22.9-29.7%
4.00		29.8%+

The pupil weights for targeted grants will be assigned as shown in table 1 above during FY 1996-1998, when grants are calculated by county.[13] These ranges of county poverty rates and numbers were selected because each contains one-fifth of all poor school-age children, according to the 1990 census.[14] Weights will be assigned to pupils in each county according to both the percentage and number scales; then the larger of the two weighted pupil counts for each county will be used in calculating its grant.[15] LEAs with a child poverty rate below 5 percent are not eligible for targeted formula grants.[16]

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[13]For Puerto Rico, the weight is set at 1.72 for all of their poor and other formula children; this gives Puerto Rico approximately the same share of total grants under the new formula as it received under the previous formulas.

[14]Beginning in FY 1999, LEA weights will be assigned on the basis of somewhat different ranges of poor child numbers and rates. Compared to the county ranges, the LEA ranges are generally lower on the numbers scale, and higher on the percentage scale.

[15]The weights will be assigned in a "stepwise" fashion--for example, if a county has 7,000 poor and other formula children, falling into the 3rd of the 5 steps on the number scale (see above), the maximum weight of 2 is applied only to the number of such children above the threshold for step 3 (5,939). In this example, a weight of 1 is assigned to the first 1,917 children counted in the formula, and a weight of 1.5 to the next 4,021 children. The primary reason for applying the weights in this fashion is to avoid having large changes in grants per child result from small changes in a county's percentage or number of such children when it is near one of the "break points" dividing different steps on the weighing scales.

[16]For FY 1996-98, when grants are initially calculated by county, this 5 percent threshold will not be applied at the county level. SEAs will, however, apply this threshold in making grants to LEAs, and funds generated on the basis of formula children in noneligible LEAs will be proportionally reallocated to other, eligible LEAs in the same State. The 2 percent eligibility threshold for basic grants will be implemented in the same manner.

A **100 percent hold harmless** will apply to basic and concentration grants for FY 1996. Thus, the previous law formulas will continue essentially unchanged for FY 1995, except for increased State minimum grants, and an amount equal to the FY 1995 appropriation will be allocated in exactly the same amounts to States and LEAs for FY 1996, plus at least some additional funds from the targeted formula in FY 1996 to all LEAs meeting the 5 percent minimum child poverty rate threshold, assuming the FY 1996 part A appropriation exceeds that for FY 1995 and at least some of the increase is allocated under the targeted grant formula.[17]

The following table 2 shows estimated grants for FY 1996 under an **assumption** that part A appropriations for that year are $400 million above the FY 1995 level (a 6.1 percent increase), and that all of this increase is devoted to targeted grants.[18] Estimated grants are shown for selected counties in certain categories based on their number or percentage of poor and other children counted in the part A formulas.

[17]If FY 1996 appropriations are less than those for FY 1995, all county grants would apparently be reduced in equal proportion.

[18]The $400 million increase figure was selected because it is approximately equal to the average annual increase in title I, part A appropriations over the last 6 years.

TABLE 2. Differences in Estimated Targeted Formula and Basic/Concentration Grant Formulas Estimated Allocations to Selected Counties for FY 1996--Estimates are Based on Assumption of $400 Million Increase, All for the Targeted Formula

State	County	Poverty rate	Number of poor children	Estimated grant previous law formulas at total appropriation of $6,966 million	Estimated grant P.L. 103-382 formulas at total appropriation of $6,966 million	Difference P.L. 103-382 minus previous law, each at total appropriation of $6,966 million	Percentage difference
A. Counties with Large Numbers of Poor Children							
California	Los Angeles	22%	351,027	$283,505,000	$290,897,000	$7,392,000	2.6%
Illinois	Cook	23	205,494	195,273,000	199,739,000	4,466,000	2.3
Michigan	Wayne	29	116,150	122,982,000	125,064,000	2,082,000	1.7
New York	Kings	37	156,607	170,281,000	173,764,000	3,483,000	2.0
Pennsylvania	Philadelphia	30	79,583	86,532,000	87,452,000	920,000	1.1
Texas	Harris	20	114,056	88,131,000	89,600,000	1,469,000	1.7
B. Counties with High Poverty Rates							
Kentucky	Wolfe	56	826	659,000	677,000	18,000	2.7
Louisiana	East Carroll	69	1,770	1,283,000	1,326,000	43,000	3.4
Louisiana	Orleans	46	44,570	32,308,000	32,951,000	643,000	2.0
Missouri	St. Louis City	39	26,713	21,248,000	21,523,000	275,000	1.3
Mississippi	Holmes	67	3,797	2,752,000	2,843,000	91,000	3.3
New Mexico	Roosevelt	38	1,244	902,000	912,000	10,000	1.1

Table continued on following page.

TABLE 2. Differences in Estimated Targeted Formula and Basic/Concentration Grant Formulas Estimated Allocations to Selected Counties for FY 1996--Estimates are Based on Assumption of $400 Million Increase, All for the Targeted Formula							
State	County	Poverty rate	Number of poor children	Estimated grant previous law formulas at total appropriation of $6,966 million	Estimated grant P.L. 103-382 formulas at total appropriation of $6,966 million	Difference P.L. 103-382 minus previous law, each at total appropriation of $6,966 million	Percentage difference
C. Counties in Minimum Grant States							
Alaska	Anchorage	8	3,687	4,264,000	4,888,000	624,000	14.6
Delaware	New Castle	9	6,734	7,701,000	8,521,000	820,000	10.6
New Hampshire	Grafton	10	1,173	1,321,000	1,416,000	95,000	7.2
North Dakota	Barnes	20	448	383,000	381,000	-2,000	-0.5
Vermont	Bennington	16	1,039	1,180,000	1,382,000	202,000	17.1
Wyoming	Fremont	24	1,901	2,204,000	2,464,000	260,000	11.8
D. Counties with Moderately Large Numbers of Poor Children but Relatively Low Poverty Rates							
Michigan	Oakland	8	15,157	15,121,000	15,064,000	-57,000	-0.4
Missouri	St. Louis County	8	13,273	9,860,000	9,817,000	-43,000	-0.4
New Jersey	Monmouth	6	5,957	5,926,000	6,186,000	260,000	4.4
New York	Nassau	5	9,312	10,259,000	10,712,000	453,000	4.4
New York	Suffolk	6	15,047	15,808,000	16,582,000	774,000	4.9
North Carolina	Mecklenberg	12	10,478	7,179,000	7,137,000	-42,000	-0.6

Table continued on following page.

TABLE 2. Differences in Estimated Targeted Formula and Basic/Concentration Grant Formulas Estimated Allocations to Selected Counties for FY 1996--Estimates are Based on Assumption of $400 Million Increase, All for the Targeted Formula							
State	County	Poverty rate	Number of poor children	Estimated grant previous law formulas at total appropriation of $6,966 million	Estimated grant P.L. 103-382 formulas at total appropriation of $6,966 million	Difference P.L. 103-382 minus previous law, each at total appropriation of $6,966 million	Percentage difference
E. Counties with Relatively Low Numbers and Percentages of Poor Children (and not in minimum grant States)							
California	Marin	6	1,836	1,283,000	1,252,000	-31,000	-2.4
Colorado	Douglas	4	513	386,000	377,000	-9,000	-2.3
Minnesota	Carver	5	460	359,000	350,000	-9,000	-2.5
New Jersey	Sussex	4	1,135	1,068,000	1,042,000	-26,000	-2.4
New Mexico	Los Alamos	4	141	88,000	86,000	-2,000	-2.3
Pennsylvania	Lebanon	8	1,661	1,563,000	1,525,000	-38,000	-2.4

Analysis of Impact of Targeted Grant Formula

Assuming that FY 1996 appropriations for title I, part A grants will increase by $400 million over the FY 1995 level, and that all of these funds will be allocated as targeted grants, the primary effect, in comparison to allocation of the same total under the basic and concentration grant formulas of prior law, is that the differences in total grants are small. Other than the special case of the six smallest States, five of which benefit from a substantial increase in the State minimum grant provision, county-level gains or losses are almost always in the range of -2.5 percent to +4.5 percent. This results primarily from the fact that in this example, the new, targeted grant formula applies to less than 6 percent of total grants, and the changes to the basic and concentration grants are small in the aggregate, except for the State minimum increase.

The primary effect is that the differences in total grants, compared to the prior law formulas, are small. Other than the special case of the smallest States, county-level gains or losses are almost always in the range of -2.5 percent to +4.5 percent in FY 1996, assuming a relatively large increase in funding. Shifts would be less with a smaller funding increase.

Because of the increase in minimum State grants[19] that affects not only the targeted but also the basic and concentration grant formulas, grants are substantially higher under P.L. 103-382 than under previous law for five of the six smallest (in population) States (Alaska, Delaware, New Hampshire, Vermont, and Wyoming). This is reflected in the estimated grants for selected counties in category C in the table above. However, for the largest of these States, North Dakota, State total grants are the same under P.L. 103-382 and previous law, and estimated grants for individual counties are only marginally higher or lower.

Aside from the minimum grant States, estimated county grants are higher under P.L. 103-382, assuming that all post-FY 1995 increases are allocated as targeted grants, than under previous law if the county has relatively high numbers or percentages of poor and other children counted in the formula. In general, if the number of poor and other formula children is greater than approximately 30,000, **or** if the percentage is greater than 30 percent, the estimated grant to that county will be higher under P.L. 103-382 than under the previous formulas, and lower if the county is below **both** of these thresholds.

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[19]In general, the State minimum under **previous law** was the lesser of: (a) 0.25 percent of total grants; or (b) 150 percent of the national average grant per child counted in the relevant (basic or concentration grant) formula, multiplied by the State total number of such children. For concentration grants, there was an "absolute" State minimum of $250,000 (raised to $340,000 in annual appropriations legislation of recent years). **P.L. 103-382** increases the minimum for each (basic, concentration, and targeted grant) formula to the lesser of: (a) 0.25 percent of total grants; or (b) the **average** of 0.25 percent of total grants and 150 percent of the national average grant per child counted in the relevant formula (except that for targeted grants, basic grant child counts are used), multiplied by the State total number of such children. For concentration grants, the average of 0.25 percent of total grants and $340,000 is used, if higher. In practice, for five of the six smallest States, this raises the grant to half way between the previous law cap and a full 0.25 percent of all grants.

(See groups A and B in the preceding table.) Further, the degree of estimated gain will increase the further a county's number or percentage exceeds these levels, and vice-versa. For example, as shown in the preceding table, the estimated increase for Roosevelt county, New Mexico, with a 38 percent formula child percentage, is 1.1 percent, while the estimated increase for Holmes county, Mississippi, with a 67 percent formula child rate, is 3.3 percent. Similarly, the estimated increase for Harris county (Houston), Texas, with 114,056 formula children, is 1.7 percent, while the estimated increase for Los Angeles county, with 351,027 formula children, is 2.6 percent. Counties with low numbers **and** percentages of poor and other children counted in the formula receive lower estimated grants, with the maximum loss at approximately -2.5 percent, somewhat less than the maximum gain for the highest poverty counties (see group E in the table).

An exception to the general pattern is a category of county with relatively low formula child percentages, but relatively high numbers of such children, although still below the general threshold of approximately 30,000 such children described earlier. Some of these counties are shown in group D of the preceding table. Under previous law, these counties either are not eligible for concentration grants, or are eligible only on the basis of their formula children above 6,500 such children. Their estimated grants under P.L. 103-382 are higher partly because some funds are shifted from concentration to targeted grants, and partly because the targeted grant formula is influenced by numbers of formula children to almost the same extent as percentages.

The estimates in the preceding table do **not** show the effects of two P.L. 103-382 formula provisions. First, the exclusion of LEAs below a 2 percent formula child percentage from basic and concentration grants, and of LEAs below 5 percent from targeted grants, is not reflected because the legislation provides that these thresholds not be applied at the county level. Rather, States will apply these thresholds to LEAs in performing sub-county allocation. Grants generated on the basis of county children in LEAs not eligible for allocations will be reallocated to eligible LEAs statewide. Second, the shift in concentration grants to counting all formula children in counties above 6,500 but below 15 percent is not shown in these estimates because the 100 percent hold harmless for concentration grants for FY 1996 effectively postpones this formula change until FY 1997. Beginning in FY 1997, this group of counties should receive significantly higher grants; the losses to other counties receiving concentration grants will be small, since there are relatively few counties in the over 6,500/under 15 percent category.

It must be reemphasized that all of these increases or decreases are rather modest. They do, however, indicate the direction of change that would become more pronounced if appropriations continue to increase and all post-FY 1995 increases are allocated as targeted grants.

Education Finance Incentive Grant Formula

P.L. 103-382 also authorizes a new formula for supplementary education finance incentive grants (section 1125A). These funds will be used for the same purposes as other title I, part A grants, but be allocated to States under a separate formula. Within States, these funds will be allocated in proportion to total LEA grants under the other part A

formulas (basic, concentration, and targeted grants). The authorization for this formula begins at $200 million for FY 1996, but has no specific limits thereafter through FY 1999.

The State formula for education finance incentive grants is:

total school-age population x effort factor x equity factor

While most attention regarding this formula has focused on the effort and equity factors, the use of *total* school-age population--rather than poor and other children counted for basic, concentration, and targeted grants--is important as well in establishing the distinctive pattern of estimated allocations under this formula. It is also noteworthy that this is the only part A formula with **no expenditure factor**. Further, the State minimum for this formula is simply 0.25 percent of total grants, an amount that is as high or higher for these States than under the other part A formulas.

State Effort Factor. The effort factor for the education finance incentive grant formula is based on a comparison of State expenditures per pupil for public elementary and secondary education with State personal income per capita. This ratio for each State is further compared to the national average ratio, resulting in an index number that is greater than 1.0 for States where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the Nation as a whole, and below 1.0 for States where the ratio is less than average for the Nation as a whole. Narrow bounds of 0.95 and 1.05 are placed on the resulting multiplier. All of these data are averaged for the 3 most recent available years, to avoid sharp annual shifts. The current estimated effort factors for the States are shown in Appendix table A-1.

The effort factor in the title I education finance incentive grant formula is an *individual* variety of such a factor--average expenditures *per pupil* compared to personal income *per capita*. A standard alternative would be to compare *total* expenditures for public elementary and secondary education to *total* personal income in a State. While these two forms of effort factor are superficially similar, the effects of using one versus the other can be quite different for many States, depending largely on the age distribution of a State's population. All other relevant factors being equal, a State in which a relatively large share of its population (compared to the national average) consists of school-age children will rank higher on an aggregate measure of effort, while a State with a relatively small share of its population consisting of school-age children will rank higher on an individual measure of effort. In general, most Northeastern and Mid-Atlantic States, where a relatively small share of the total population consists of school-age children, rank higher on an individual measure of effort, and most Western and Southern States, with higher growth rates and school-age child population shares, rank higher on an aggregate effort measure.

There are also several measures of State fiscal effort, both individual and aggregate varieties, that consider **all** expenditures of State and local governments, not just those for public elementary and secondary education, or consider forms of revenue raising capacity in addition to personal income--e.g., taxable real property, volume of commercial

transactions subject to sales taxes. Primary examples of these are the tax capacity and effort measures compiled by the Advisory Commission on Intergovernmental Relations (ACIR). These also can lead to relative State effort measures that are significantly different from that in the new section 1125A of title I.

It is not clear whether the primary purpose of the effort factor is to provide an incentive for States to increase their expenditures for public elementary and secondary education, or to reward States that already have high expenditures per pupil in comparison to their income per capita. The provision is unlikely to constitute a significant incentive for States to increase spending; the "return," in the form of increased section 1125A grants, will probably be much less than the "cost" of increased State spending. This is especially true because of the narrow limits of 0.95 and 1.05 on this factor. For the several States that are well below 0.95 in this calculation, State and local expenditures would have to increase to a very large degree before their effort factor rose at all; while States above 1.05 have no incentive to further increase their relative spending level.

State Equity Factor. The equity factor in the education finance incentive grant formula is based upon a measure of variation in average expenditures per pupil among each State's local educational agencies (LEAs) called the coefficient of variation (CV). This is a measure of the average disparity in expenditures per pupil among the LEAs of a State, and is expressed as a percentage of the State average expenditure per pupil.[20] In the CV calculations for this formula, the LEA expenditures per pupil are weighted to account for differences in the enrollment level of different LEAs, with an extra weight (1.4 vs. 1.0) applied to estimated counts of children from poor families.[21] In States where there are separate elementary and secondary LEAs, as well as the more common unified (kindergarten through grade 12) LEAs, an enrollment-weighted average of the CVs for all types of LEAs was used in calculating the equalization factor. Limited purpose LEAs, such as those providing only vocational education or education for disabled children, are excluded from the calculations, as are small LEAs with enrollment below 200 pupils (to avoid distortions resulting from diseconomies of scale--i.e., increasing costs per pupil when the total number of pupils in a LEA is very low).

Specifically, the equity factor is equal to 1.30 - (CV), so the lower a State's CV, the higher its equity factor multiplier. States meeting the expenditure disparity standard established in regulations for the Impact Aid program, as in effect on the day preceding the enactment of the IASA (currently Alaska, Kansas, and New Mexico), are automatically

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[20]For further explanation of this measure, see: U.S. Library of Congress. Congressional Research Service. *Variations in Expenditures Per Pupil Among Local Educational Agencies Within the States*. General Distribution Memorandum, by Wayne Riddle and Liane White. July 26, 1993. Note that the coefficient of variation calculations used in the new section 1125A formula differ from those in that memorandum in that an extra weight of 0.4 is applied to estimated poor child counts under section 1125A.

[21]The effect of the additional weighting for poor children is that expenditure disparities in favor of LEAs with relatively large numbers of poor children would reduce a State's measured CV, while expenditure disparities in favor of LEAs with relatively low numbers of poor children would increase a State's CV.

assigned a maximum CV of no more than 0.10--i.e., an equity factor of at least 1.20.[22] Since CVs estimated under the provisions of P.L. 103-382 for States by the Congressional Research Service (CRS) currently vary from 0.0 to .250,[23] the equity factors range from 1.05 to 1.30. The District of Columbia, Hawaii, and Puerto Rico receive the maximum equity factor of 1.30, because each of them has only 1 LEA.

CRS estimates of State coefficients of variation, as defined in the IASA, are shown in table 3 (below). While regional patterns are not homogeneous, States with relatively high CVs, and therefore relatively low equity factors, tend to be located in the Northeast (e.g., New York, Massachusetts, or Pennsylvania), while those with relatively low CVs and high equity factors tend to be in the South and West (e.g., Colorado, Louisiana, Utah, or West Virginia). There are several Midwestern States with high CVs (Michigan, Missouri) while several others have low CVs (Iowa, Wisconsin).

The education finance incentive grant formula is apparently intended to concretely express Federal concern about disparities in funds and resources among LEAs in many States, and to provide an incentive for States to reduce those disparities. This concern has recently been heightened by State court challenges to the school finance systems in over one-half of the States, and attention to the "opportunity to learn" issue[24] with respect to recent consideration of national and State content and performance standards in the Goals 2000 legislation.

Particularly with respect to title I, it has recently been argued that this program's funds are intended to supplement an "adequate" base of State and local resources for the children to be served. If, however, resources are not equitably distributed among and within a State's LEAs, title I funds may only help make up some of the gap in resources available to disadvantaged children compared to those received by the advantaged.

As with the effort factor, it is questionable whether an equity factor applicable to only a portion of title I grants will provide a *significant incentive* for States to modify their school finance systems. Many States have been reluctant to substantially change their school finance policies without the stimulus of a State court order. However, again as with the effort factor, it is unclear whether the primary intent of the equity factor is to provide an incentive to reduce disparities, or to reward States with low disparities and visibly express Federal interest in this issue, purposes which the factor is more likely to achieve.

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[22]For information on the Impact Aid regulations regarding school finance equity, see: U.S. Library of Congress. Congressional Research Service. *Federal Impact Aid and State School Finance Equalization Programs*. CRS Report for Congress No. 87-589 S, by K. Forbis Jordan. Washington, 1987.

[23]While Alaska has an estimated CV of .405, its equity factor is set at a minimum of 1.20 due to the Impact Aid provision described above. The highest estimated CV for States other than Alaska is .250 for Missouri, slightly above the .248 estimate for New York.

[24]That is, the question of whether all pupils have sufficient educational resources available to them to be able to meet challenging content and performance standards.

With respect to the specific measure of funding disparities used in calculating the equalization factor, the coefficient of variation is widely accepted, although there are other possible measures of disparities in education expenditures among each State's LEAs.[25] The data on expenditures that are used in calculating the equalization factor, from the Census Bureau's public education survey, are the only data on LEA-level expenditures that are available for all LEAs in the Nation and are based on consistent accounting concepts. These data have been collected for all LEAs only on three occasions, have not been published widely for the LEAs below 15,000 enrollment, and have not previously been used for allocation formulas or similar purposes. However, the use of these data in the calculation of a share of title I grants will likely lead to more frequent and regular collection of these data in the future.

The expenditures per pupil calculation used in the education finance incentive grant formula is relatively simple--total current expenditures per weighted pupil, with children from poor families weighted at 1.4 and other pupils at 1.0.[26] The selection of an additional 0.4 weight to apply to poor children is based on the maximum authorized funding level for title I grants. There is currently no adjustment for other high-need groups of pupils--e.g., disabled or limited English proficient pupils--or for cost of living differences among LEAs within States. However, the legislation encourages ED to consider incorporating such adjustments into future calculations of State equity factors, based on the recommendations of independent school finance specialists.

Estimated State Allocations: Targeted Versus Education Finance Incentive Grant Formula

Table 3, below, shows estimated allocation of a total of $100 million each under the targeted versus the education finance incentive grant formula. This is one of many possible scenarios for part A grants in FY 1996--a total of $200 million in "new" money (a 3.0 percent increase), one-half allocated under each of these formulas (rather than all of the $200 million allocated under the targeted formula). A lower assumed appropriations increase is used here than in the previous example, under which $400 million was the assumed increase, with all of it allocated under the targeted grant formula. In part, the different level is used to emphasize that the actual level of increase, if any, cannot now be predicted. Further, the amount of any increase that will be allocated as targeted versus education finance incentive grants cannot be forecast, except for the constraint of the FY 1996 authorization limit of $200 million for education finance incentive grants. Only State totals are shown because the education finance incentive grant does have its own sub-State formula. State totals will simply be allocated in proportion to total grants under other part A formulas (basic, concentration, and targeted grants, if any) within States.

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[25]The simplest alternative would be a range measure -- a ratio of highest to lowest expenditures per pupil within a State, or perhaps the ratio of the expenditures per pupil for the LEA at the 95th percentile to those for the LEA at the 5th percentile, to exclude anomalous extreme cases. Other alternatives include a variety of aggregate statistics other than the CV. While States tend to have similar rankings on each of these measures, there can be distinct differences in ranking depending on the measure of disparities used.

[26]The only pupil count available with the finance data base is total enrollment; the estimated count of poor children was derived by merging the Census of Governments finance file with the compilation of the 1990 Census of Population and Housing for LEAs. This technique therefore merges total **enrolled** pupils with **all** school-age children from low-income families, whether enrolled in school or not. Some error undoubtedly results from this mismatch.

TABLE 3. Estimated Allocation of $100 Million Under the Targeted Grant (Section 1125) Versus the Education Finance Incentive Grant (Section 1125A) Formulas of Title I, ESEA as Amended by P.L. 103-382

States	Estimated targeted grant (section 1125)	Estimated education finance incentive grant (section 1125A)	Difference: finance incentive minus targeted grant	Percentage difference
Alabama	$1,749,000	$1,675,000	-$74,000	-4
Alaska	229,000	284,000	55,000	24
Arizona	1,605,000	1,458,000	-147,000	-9
Arkansas	1,073,000	979,000	-94,000	-9
California	13,406,000	11,114,000	-2,292,000	-17
Colorado	853,000	1,320,000	467,000	55
Connecticut	702,000	1,223,000	521,000	74
Delaware	238,000	269,000	31,000	13
District of Columbia	276,000	250,000	-26,000	-9
Florida	4,022,000	4,566,000	544,000	14
Georgia	2,207,000	2,515,000	308,000	14
Hawaii	250,000	467,000	217,000	87
Idaho	250,000	478,000	228,000	91
Illinois	5,383,000	4,294,000	-1,089,000	-20
Indiana	1,205,000	2,421,000	1,216,000	101
Iowa	506,000	1,228,000	722,000	143

Table continued on following page.

TABLE 3. Estimated Allocation of $100 Million Under the Targeted Grant (Section 1125) Versus the Education Finance Incentive Grant (Section 1125A) Formulas of Title I, ESEA as Amended by P.L. 103-382

States	Estimated targeted grant (section 1125)	Estimated education finance incentive grant (section 1125A)	Difference: finance incentive minus targeted grant	Percentage difference
Kansas	546,000	1,070,000	524,000	96
Kentucky	1,797,000	1,537,000	-260,000	-14
Louisiana	3,121,000	2,059,000	-1,062,000	-34
Maine	$250,000	$525,000	$275,000	110
Maryland	1,175,000	1,825,000	650,000	55
Massachusetts	1,653,000	1,996,000	343,000	21
Michigan	4,482,000	3,800,000	-682,000	-15
Minnesota	957,000	1,857,000	900,000	94
Mississippi	2,134,000	1,190,000	-944,000	-44
Missouri	1,584,000	1,813,000	229,000	14
Montana	290,000	375,000	85,000	29
Nebraska	332,000	653,000	321,000	97
Nevada	250,000	447,000	197,000	79
New Hampshire	246,000	413,000	167,000	68
New Jersey	1,824,000	2,876,000	1,052,000	58
New Mexico	906,000	703,000	-203,000	-22

Table continued on following page.

TABLE 3. Estimated Allocation of $100 Million Under the Targeted Grant (Section 1125) Versus the Education Finance Incentive Grant (Section 1125A) Formulas of Title I, ESEA as Amended by P.L. 103-382

States	Estimated targeted grant (section 1125)	Estimated education finance incentive grant (section 1125A)	Difference: finance incentive minus targeted grant	Percentage difference
New York	10,560,000	6,378,000	-4,182,000	-40
North Carolina	1,497,000	2,501,000	1,004,000	67
North Dakota	250,000	265,000	15,000	6
Ohio	3,948,000	4,375,000	427,000	11
Oklahoma	1,093,000	1,314,000	221,000	20
Oregon	722,000	1,193,000	$471,000	65
Pennsylvania	$4,153,000	$4,383,000	$230,000	6
Puerto Rico	3,464,000	2,023,000	-1,441,000	-42
Rhode Island	267,000	385,000	118,000	44
South Carolina	1,193,000	1,512,000	319,000	27
South Dakota	259,000	307,000	48,000	19
Tennessee	1,570,000	1,842,000	272,000	17
Texas	9,847,000	7,274,000	-2,573,000	-26
Utah	405,000	991,000	586,000	145
Vermont	230,000	250,000	20,000	9
Virginia	1,160,000	2,090,000	930,000	80

Table continued on following page.

TABLE 3. Estimated Allocation of $100 Million Under the Targeted Grant (Section 1125) Versus the Education Finance Incentive Grant (Section 1125A) Formulas of Title I, ESEA as Amended by P.L. 103-382

States	Estimated targeted grant (section 1125)	Estimated education finance incentive grant (section 1125A)	Difference: finance incentive minus targeted grant	Percentage difference
Washington	1,206,000	1,965,000	759,000	63
West Virginia	905,000	832,000	-73,000	-8
Wisconsin	1,527,000	2,190,000	663,000	43
Wyoming	241,000	250,000	9,000	4
U.S. Total	$100,000,000	$100,000,000	$0	0

Analysis of Allocation Patterns Under Education Finance Incentive Grant Versus Targeted Grant Formulas

As shown in the preceding table, the State allocation pattern for education finance incentive grants is quite different from that for targeted grants. Some States would receive almost two and one-half times as much under the education finance incentive grant than the targeted grant formula, while others would receive more than 40 percent less. Overall, many more States (37) would receive higher grants under the education finance incentive grant formula than the targeted formula, although those estimated to receive higher grants under the targeted formula include most of the States with the largest population.

More specifically, States estimated to receive higher grants under the targeted formula include those with the largest population overall or several of the largest population urban counties--California, New York, Illinois, Texas, Michigan, Arizona, and the District of Columbia--and those with the highest number of very poor rural counties--Alabama, Arkansas, Kentucky, Louisiana, Mississippi, New Mexico, Puerto Rico, and West Virginia. All other States would receive higher estimated grants under the education finance incentive grant formula, based on currently available data. Five small States receive higher grants under the education finance incentive grant formula because its minimum is simply 0.25 percent of total grants, without the "caps" found in the other part A formulas.

These allocation patterns reflect primarily the targeted formula's emphasis on counties with very high numbers or percentages of poor and other children counted in that formula. They also reflect the use of total, not just poor, children in the education finance incentive grant formula, as well as the lack of an expenditure factor in that formula. It is also notable that while this formula's effort and equity factors have attracted the greatest attention, several States with high effort (e.g., New York, West Virginia, and the District of Columbia) and/or high equity factors (e.g., Alabama, Louisiana, Mississippi, New Mexico, West Virginia, and Puerto Rico) are among the biggest losers in this comparison, because these States also have several areas with high concentrations of poverty, that are considered in the targeted, but not the education finance incentive grant, formula.

Finally, it should be noted that statewide patterns of gains or losses may not apply to individual localities in the States. In particular, high poverty counties and LEAs, in States that would receive somewhat higher overall grants under the education finance incentive grant formula, might themselves receive higher grants under the targeted formula. This is because the education finance incentive grant funds will be allocated broadly within States, in proportion to the total of basic, concentration, and targeted grants received by LEAs, while the targeted grants will be allocated under that formula alone within States.

RELATIONSHIPS TO GOALS 2000 AND SYSTEMIC REFORM

The revised legislation attempts to link title I programs with efforts toward "systemic reform" of public elementary and secondary education that are taking place in many

The IASA requires States to adopt content and pupil performance standards in order to continue receiving title I grants, and to use these as the basis for rewarding successful programs and taking corrective actions against unsuccessful ones. However, the Department of Education cannot require that any specific standards be adopted, or that States participate in Goals 2000.

States. Typically, systemic reform involves the establishment of explicit and "challenging" goals for State school systems, and the reform and alignment of curricula, assessment methods, pupil performance standards, teacher professional development, instructional materials, and other major school system policies in support of the goals. Several States have been undertaking systemic reform on their own initiative in recent years, and further efforts are being supported under the Goals 2000: Educate America Act, which was enacted earlier in 1994 as P.L. 103-227.[27]

The IASA tries to raise the instructional standards of title I programs, and the academic expectations for participating pupils, by tying title I instruction and pupil performance standards to State-selected curriculum content standards. Further, the legislation attempts to make title I tests and evaluations more meaningful and less time consuming by using State-developed or -adopted assessments, tied to the content standards, for determining the effectiveness of title I programs, including the determination of whether schools are making "adequate progress" in meeting the content and performance standards. These assessments will also become the basis for implementing program improvement requirements, including financial rewards to "distinguished" schools and LEAs or corrective actions for "unsuccessful" ones.

Several constraints are placed on the authority of the Secretary of Education in implementing these standard and assessment provisions.

In order to continue receiving title I grants in the future, States will have to submit to ED plans[28] that include curriculum content standards applicable to title I participants, as well as all other pupils in the State. The State plans must also include standards for pupil performance on assessments tied to the content standards. The plans must include content and performance standards at least in the subjects of mathematics and reading/language arts. If a State has developed content and performance standards with assistance under title III of the Goals 2000: Educate America Act, or under a similar procedure, then those standards are to be used for title I programs. The performance standards must establish

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[27]For more information on systemic reform and Goals 2000, see: U.S. Library of Congress. Congressional Research Service. *Goals 2000: Overview and Analysis*. CRS Report for Congress No. 94-490 EPW, by James B. Stedman. Washington, 1994.

[28]While States have previously submitted applications for title I grants that contained a variety of assurances that program requirements will be met, there was no requirement to prepare or submit a State plan. Under P.L. 103-382, LEAs wishing to receive title I funds would also have to submit plans to their State education agency. Individual schools are required to develop a title I plan only in the case of schoolwide programs.

three performance levels for all pupils--advanced, proficient, and, partially proficient. The plan must also include information on how the State will help each participating LEA and school meet the requirements of title I, and provide each pupil with an opportunity to meet the State's content and performance standards. "Opportunity to learn" standards or strategies, developed by the State under the Goals 2000: Educate America Act, that delineate conditions necessary for pupils to be able to meet the performance standards, **may, at State discretion**, be part of this effort.

Transitional assessments may be used by States that do not already have State content and performance standards, and assessments tied to them. States must develop or adopt content and performance standards, at least in the subjects of mathematics and reading/language arts, within 1 year after the 1st year that funds are received under authority of the IASA,[29] and must develop or adopt assessments tied to these standards within 4 years after such first year, with an additional year extension authorized at the discretion of the Secretary of Education.[30] States not meeting these deadlines for standards and assessments may continue to receive title I grants by adopting standards and assessments approved by ED for other States.

These provisions address three major concerns about title I programs--that they: (a) have not been sufficiently challenging academically, perpetuating low expectations for the achievement of participating pupils; (b) have not been well integrated with the "regular" instructional programs of participants; and (c) have required extensive pupil testing that is of little instructional value and is not linked to the curriculum to which pupils are exposed. While P.L. 103-382's response to these concerns is direct and substantial, it relies upon processes that generally have not been established or proven. States are now at widely varying stages of developing instructional goals, curriculum frameworks, and assessment systems tied to these. Some States--especially those with a traditionally weak State role in public education governance--have just begun to do this, and a few may resist doing so at all.

Several constraints are placed on the authority of the Secretary of Education in implementing these standard and assessment provisions. As under the Goals 2000 legislation, the State standards need **not** be tied to any national standards that have been or might be developed. The IASA further provides that no State may be required to submit its curriculum content or pupil performance standards to ED; no State plan may be disapproved by ED on the basis of specific content or performance standards, or assessment instruments; nothing in the Act may be interpreted to require a State, LEA, or school to implement opportunity to learn standards or strategies developed under Goals 2000; and that nothing in the Act authorizes ED to "mandate, direct, or control" a State's, LEA's, or school's standards, curricula, assessments, or program of instruction as a condition for receipt of title I aid. Finally, it is stated that nothing in title I may be construed to mandate equalized spending for elementary and secondary education among the LEAs or schools of a State, or to mandate the implementation of national school building standards.

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[29]This language seems to refer to the end of school year 1996-97.

[30]This appears to refer to the end of school year 1999-2000 (or 2000-2001 if the additional extension is granted).

Program Improvement Requirements and Methods

As under previous law, P.L. 103-382 requires annual reviews to be conducted of each school and LEA title I program. It goes beyond previous law in requiring wide dissemination of the results of the review, including information on the achievement of different types of pupils, to the extent that achievement results can be disaggregated in a "statistically sound" manner. States will continue to set standards for "adequate yearly progress" by pupils and schools. The reviews and State standards will be based upon the State content and performance standards and assessments developed as part of the State title I plan, rather than the standardized tests implicitly required in the past.

If a **school** exceeds the State standards of adequate progress for 3 consecutive years, or if at any time "virtually all" of the students in a title I school meet a State's standards for "advanced" proficiency and there is attainment or improvement in the equity of performance levels for pupils of both sexes, then the school would be designated as a "distinguished school" by the SEA. School improvement grants received by a State could be used to provide financial awards to such distinguished schools. LEAs are also encouraged to provide nonmonetary rewards to such schools, such as increased school-level decisionmaking authority.

In contrast, participating schools that do not meet State standards of adequate progress for 2 consecutive years are to be identified as needing improvement. The school must develop and implement an improvement plan, with assistance by the LEA, in order to improve performance. The school improvement plan must include professional development activities for school staff, which **may** include use of 10 percent or more of the school's annual grant for this purpose. If the school continues to perform inadequately, the LEA must take "corrective actions," consistent with State and local law, that **may** include withholding funds, implementing opportunity to learn standards or strategies, reconstituting school staff, changing school governance arrangements (such as establishing a public charter school), reducing school-level decisionmaking authority, changing school staff, revoking schoolwide program authority, or authorizing pupils to transfer to another public school in the LEA. In addition, the State must provide assistance to these schools via school support teams and "distinguished educators"--teachers and other staff from title I schools selected by the State for their success in educating disadvantaged pupils.

Similarly, **LEAs** found to have met State standards of adequate progress for 3 consecutive years would be eligible to receive financial and other awards from the SEA, while those which do not meet such standards for 2 consecutive years must revise their LEA title I plan, and be provided with technical assistance by the SEA. As with individual schools, States must take "corrective actions," consistent with State law, regarding LEAs that continue to fail to make adequate progress. Such actions **may** include changing LEA staff, appointment of a trustee to administer the LEA in lieu of its current superintendent and board, elimination or restructuring of the LEA, implementation of opportunity to learn standards, withholding funds, or authorizing pupils to transfer to other public schools in the State.

The IASA also removes a potential disincentive for schools to improve their performance under previous law. Previously, while schools have almost always been selected to conduct title I programs solely on the basis of their number of children from low-income families, LEAs have been required to determine *how much* aid to allocate to each participating school on the basis of the number of children to be served *and* their needs--i.e., the number of low achieving children in the school and the seriousness of their educational deficits. If a school serving a low-income area were especially successful at improving the achievement of its disadvantaged pupils, it would presumably remain in the title I program, but might see its allocations reduced, due to reduced pupil need. P.L. 103-382 revises this provision to require that funds be allocated among participating schools solely on the basis of the number of children from low-income families attending them, not the achievement level of their pupils.

Assistance for program improvement will continue to be supported through State program improvement grants, which may now be reserved by the State from its overall part A grant, and through regional technical assistance centers (TACs). There will no longer be a series of TACs devoted specifically to title I; however, there will be established regional TACs responsible for all ESEA programs, under a new ESEA title XIII, part A. The legislation requires these new comprehensive assistance centers to provide services addressing the needs of disadvantaged pupils that are at least comparable to those of the title I centers preceding the enactment of the IASA. Support is also to be provided by the regional educational laboratories established under section 941(h) of the Educational Research, Development, Dissemination, and Improvement Act of 1994 (title IX of P.L. 103-227). A final source of support for improvement will be the school support teams described above.

PROGRAM STRUCTURE AND STRATEGY

Schoolwide Programs

The revised title I will target funds more on high poverty schools, allow more programs to be operated on a schoolwide basis, attempt to clarify rules for participation by disabled or limited English proficient pupils, encourage coordination of education with other social and health services to pupils, and require more planning by States and LEAs, while providing greater flexibility in other respects.

In several respects, the IASA changes the typical format and structure of title I programs. There will be a substantial expansion of the number of schools eligible to operate title I on a **schoolwide** basis--i.e., use the aid to improve services to all pupils, rather than limiting services to particular pupils deemed to be the most disadvantaged. While schoolwide programs are currently authorized, they are limited to schools in which at least 75 percent of the pupils are from low-income families. In recent years, the number of title I schoolwide plan sites has grown rapidly, yet only an estimated 25-33 percent of the schools meeting the 75 percent threshold have utilized this authority. P.L. 103-382 reduces the 75 percent eligibility threshold to 60 percent beginning in 1995-96,

and to 50 percent for 1996-97.[31] ED estimates that this would increase the number of schools eligible for schoolwide programs from approximately 9,300 currently to approximately 21,900 by 1996-97.

A significant new aspect of schoolwide programs is that the increased flexibility they enjoy may apply not only to the use of title I funds but also to aid received under any other ED program, with the exception of programs under the Individuals with Disabilities Education Act (IDEA). The Secretary of Education is authorized to exempt schoolwide programs from regulations under all such programs, with specified exceptions, such as regulations regarding health, safety, civil rights, parental participation, or fiscal accountability. Unlike previous law, there would no longer be accountability requirements for schoolwide programs that go beyond those for other title I programs. Nevertheless, title I funds would still have to be used in schoolwide programs so that they would supplement, not supplant, other Federal and non-Federal funds that the school would otherwise receive.

New schoolwide programs may not be established until the State has developed a support system that includes technical assistance and school support teams, or at least until the school can demonstrate that it has access to similar assistance from alternative sources. Schoolwide programs would have to meet planning requirements that do not apply to other title I schools. In general, these plans are to be developed over a 1 year period, with the involvement of staff and parents. The plan is to provide for reporting of achievement data for pupils that is disaggregated by gender, race, limited English proficiency status, disability, migrant status, and poverty status, where such disaggregated data can be compiled in a statistically sound manner.

While schoolwide programs have several possible advantages over typical title I programs, now to be called targeted school programs, in the past the schoolwide authority has often been used in ways that are neither innovative nor, in the view of many, likely to be very effective in improving the achievement of disadvantaged pupils. One example of this pattern is use of title I funds to effect a relatively modest reduction in the schoolwide pupil teacher ratio. Further, many of the schools previously eligible to operate as schoolwides did not take advantage of this authority, perhaps because of a lack of awareness of the provision, or lack of support from their State or local educational agencies.

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[31]When considering the "poverty rate" for individual schools, it is important to keep in mind that the low-income threshold being used is rarely the standard, census definition of poverty level income, because such data are not typically available for individual schools or school attendance areas. The low-income data that are typically available for individual schools are counts of children receiving free or reduced price school lunches, and it is these data that are used to determine whether schools meet the requirements for schoolwide programs. The income thresholds for free/reduced price school lunch eligibility are much higher than the census poverty levels--130 percent of the poverty level for a free lunch, and 185 percent of the poverty level for a reduced price lunch. Nationwide, approximately 18 percent of school-age children are poor under the census poverty measure, while twice as many, 36 percent, are "poor" under the free/reduced price school lunch measure. Thus, the current eligibility threshold for schoolwide programs is about twice the national pupil "poverty" rate (based on free/reduced price school lunch eligibility), not four times the national rate (based on the census poverty definition). The P.L. 103-382 provision ultimately extends schoolwide program eligibility to schools with "poverty" rates of about two-fifths above the national average rate.

As a result, some are concerned about the relatively large expansion of the authority under P.L. 103-382. At least, many observers believe that much greater technical support should be provided to schoolwide programs to help them use their title I funds more effectively. The IASA addresses these concerns by requiring schools wishing to operate schoolwide programs to undergo extensive planning activities for a year before implementing the program. Further, in addition to technical assistance available to all title I schools, States would be required to establish school support teams to assist schoolwide programs. The teams would consist of teachers and other persons knowledgeable about research and practice in the education of disadvantaged children.

School Selection and Allocation of Funds Within LEAs

Title I funds are broadly distributed among schools as well as LEAs; over 70 percent of public elementary schools participate in the program. In contrast, recent studies have found that the poverty of a child's family is more likely to be associated with educational disadvantage if the family lives in a geographic area with large concentrations--either numbers or proportions--of poor families. As a result, the average achievement levels for **all** students in high poverty schools is lower than that for **title I participants** in low poverty schools.[32]

The IASA contains two provisions intended to focus funds within LEAs more on high poverty schools. First, while LEAs would still have discretion, in general, to select the grade levels at which title I services will be offered, and to consider only schools at those grade levels in selecting grantees, they would be required to provide title I services to any school, *no matter the grade level*, with a pupil poverty rate of 75 percent or more. The possible impact of this provision is uncertain. It is not clear that there are substantial numbers of public schools with low-income pupil rates of 75 percent or more that are not already participating in title I. While this new provision has been described as a means by which title I services will more often be provided in senior high schools, since LEAs have frequently chosen to offer services at only the elementary and middle/junior high school levels, it is particularly unlikely that many senior high schools can be documented as having a low-income pupil rate of 75 percent or more.[33]

A second set of amendments regarding school selection would raise the low-income pupil rate at which a school may be automatically selected for title I from 25 to 35 percent, and delete some alternative options for school selection that have facilitated the spread of funds among a large number of schools in many LEAs. The amendments in the

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[32]ED. *Reinventing Chapter 1: The Current Chapter 1 Program and New Directions: Final Report of the National Assessment of the Chapter 1 Program*. Feb. 1993. p. 66.

[33]As noted earlier, school level data on pupils from low-income families are usually based on participants in the free/reduced price school lunch programs. Senior high school pupils, whether eligible or not, tend to participate in the school lunch programs at a much lower rate than elementary school pupils. Thus, there may be many high schools with 75 percent or more of their pupils from low-income families, but it is very difficult to document this in practice. Existing national sources of data on schools with different percentages of pupils from low-income families combine all secondary schools into a single category, making it impossible to obtain estimates for senior high schools alone.

IASA could have a moderately significant effect in reducing the number of schools selected for title I services.

The IASA also amends previous provisions regarding school selection and school desegregation programs, and the accommodation of school choice under title I (see the Choice and Title I section, below).

The amendments in the IASA could have a moderately significant effect in reducing the number of schools selected for title I services.

P.L. 103-382 amends title I provisions regarding allocation of funds among eligible schools. The legislation requires LEAs to allocate title I funds among eligible schools solely on the basis of their number of pupils from low-income families. The IASA also attempts to focus substantial funds on schools enrolling large numbers of children from low-income families by requiring that the grant per low-income child to each school be at least 125 percent of the amount received by the LEA per such child.[34] The effects of this provision are uncertain, as it is unclear how much this differs from current practice. The minimum school allocation provision does not apply to LEAs in which 35 percent or more of the pupils are from low-income families in all participating schools.

Pupil Selection

The IASA makes three potentially significant changes to title I pupil selection practices. First, since substantially more programs will likely be operated on a schoolwide basis, there will generally be less emphasis on selecting individual pupils who are most disadvantaged to be served by title I.

Second, the IASA attempts to clarify and simplify provisions regarding participation in title I by pupils who are limited English proficient (LEP) or disabled. Currently, such pupils may be served under title I, but only if they are deemed to be "educationally disadvantaged" **separate from** their status as LEP or disabled, and if title I services are not used to supplant services that States and localities are required to provide from their own funds.[35] Some advocates of LEP pupils, in particular, have argued that such pupils are underserved by title I programs, although substantial numbers of LEP pupils receive title I services.[36]

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[34]In implementing this provision, there would be technical difficulties arising from the possibility that different measures of low income are used in the allocation of funds to LEAs vs. the distribution of LEA funds to schools. Presumably, these problems would be resolved in program regulations or other policy guidance.

[35]Under a U.S. Supreme Court decision, in the case of *Lau v. San Francisco Unified School District*, States and LEAs must provide services to meet the special language needs of LEP pupils. A variety of State and Federal court decisions, plus the Individuals with Disabilities Education Act and Section 504 of the Rehabilitation Act of 1972, require States and LEAs to provide a "free, appropriate" public education to all disabled pupils.

[36]See, for example: Strang, E. William, and Elaine Carlson for the U.S. Department of Education. *Providing Title I Services to Limited English Proficient Students*. 1991. 76 p.

The revised title I provides that LEP and disabled pupils are eligible to be served on the same basis as other children, although title I funds may not be used to provide services that are otherwise "required by law to be made available to such children" (section 1115(b)(2)(A)(ii)). While this statement is simpler than current law, its potential effects--in terms of either making it easier for local title I programs to select participants or significantly changing the number of LEP or disabled pupils served--are unclear. The statement that these pupils are to be selected "on the same basis" as others might still be interpreted as meaning that they should be "educationally disadvantaged" in some way distinct from their LEP or disability status; and title I funds still could not be used for services that States and localities are otherwise required to provide from their own funds. The ultimate impact of provisions such as these in the IASA may not be clear until they are supplemented by regulations and policy guidance.

Third, the legislation provides that pupils in grades from prekindergarten through grade 2 will be selected solely on the basis of such criteria as teacher judgment, parent interviews, and "developmentally appropriate measures," in order to avoid "overly early" use of more formal assessments. Further, children who previously participated in Head Start, Even Start, or programs for neglected and delinquent youth are automatically eligible for title I services, as are educationally disadvantaged homeless children, who may be served regardless of the school they attend.

Emphasis on Planning

While previous law required State and LEAs to submit applications, including a variety of assurances, there were no specific *planning* requirements under the program at any level. In contrast, the IASA places substantial emphasis on planning at the State and LEA levels, as well as for schools operating schoolwide programs. Each participating State and LEA must develop an overall title I plan. In addition, each LEA must develop a plan specifically for parental involvement activities. Finally, a plan must be developed for each schoolwide program, although this is an extension of a previous requirement.

To some extent this may be a difference in terminology; i.e., several of the items to be included in the "plans" are quite similar to items previously required to be included in "applications." Nevertheless, there are new elements of the required planning processes, apparently intended to broaden participation by such interested parties as parents and teachers in the selection of uses for title I funds, and to improve the coherence of title I programs and their alignment with State and LEA curricular standards and frameworks.

Choice and Title I

Previous law accommodated school choice policies in two ways. First, schools could be selected on the basis of either the residential areas they serve, or the children actually attending each school, wherever they may live. Thus, if sufficient numbers of children from low-income families choose to attend a school in a residential area with a low poverty rate, the school may nevertheless qualify to provide title I services. Second, if children transferred from a title I school to a non-title I school as part of a school desegregation program, they could continue to receive title I services, but only for the

remainder of the same school year. Non-statutory guidance from ED expanded the ways in which title I programs could accommodate school choice before enactment of P.L. 103-382; for example, by specifying that low achieving children residing in low-income areas may be served even if they attend public school in another LEA under a State open enrollment policy.[37]

As noted earlier, P.L. 103-382 provides that educationally disadvantaged children who are homeless may be served under title I, regardless of the school they attend. More broadly, the IASA authorizes LEAs to use title I funds to establish programs under which eligible pupils in title I schools may choose to attend other title I schools. All pupils eligible to participate in title I must have access to this school choice program, and only public schools with title I programs may be included. Title I funds may not be used to pay transportation costs for such a school choice program.

Another amendment would allow title I funds to "follow the child" from a title I school to a non-title I school as part of a desegregation program without a time limit (i.e., not limited to 1 school year). LEAs must specifically request a waiver from ED to carry out such a program, and the percentage of pupils from low-income families at the recipient school must be at least 25 percent.

Incentives for Improved Performance

Under previous law, there have generally been neither financial incentives, nor disincentives, for improved pupil performance in title I programs. Two exceptions to this pattern have been: (1) a potential disincentive to improvement associated with the allocation of funds among eligible schools in an LEA, which has usually been made on the basis of the number of children to be served **and** their level of achievement (so that increased achievement could possibly lead to reduced grants); and (2) a potential incentive to improvement in an "innovation projects" authority, under which up to 5 percent of LEA grants could have been used for such activities as incentive payments to schools that have demonstrated significant success in raising pupil performance, or the continuation of title I services to pupils who were eligible in any previous year, but whose achievement has increased so that they no longer meet the standard eligibility requirements. However, few LEAs appeared to use the previous "innovative projects" option.

As was discussed earlier (under Program Improvement Requirements and Methods), the IASA requires title I funds to be allocated among eligible schools solely on the basis of their number of children from poor families, rather than pupils' achievement levels, eliminating the previous potential disincentive to improving pupil achievement. The legislation also encourages States to award supplementary funds, from those reserved or appropriated for program improvement, to "distinguished" schools with successful title I programs. LEAs are also encouraged to reward such distinguished schools, although presumably through methods other than directly increasing their grants, since these are to based in all cases only on each school's number of children from low-income families.

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[37]The primary source of this guidance has been updates to the *Chapter 1 Policy Manual*, published by the U.S. Department of Education.

Thus, the reward might take the form of granting greater authority to school staff, or increased access to such services as professional development activities for school staff.

Finally, it might be argued that under both previous law and the IASA, the program improvement requirements of title I (discussed earlier) provide at least a disincentive to poor performance in general, and an incentive to improved performance for schools and LEAs placed in the program improvement process because their performance was earlier found to be inadequate.

Service Coordination

The IASA establishes new requirements for the coordination of title I with a variety of educational and other programs and services, such as health, nutrition, and social services. It authorizes the use of title I funds, **if** funds are not "reasonably" available from other sources, to pay the salary of a service coordinator and related professional development of all staff, or for "basic medical equipment, such as eyeglasses or hearing aids" (section 1115(e)(2)).

Further, new provisions in section 14206(b) and title XI of the ESEA allow LEAs or schools to use up to 5 percent of their total ESEA grants for coordinated services projects. Specifically authorized uses of funds under such projects include paying the salary of a services coordinator, purchasing equipment, making minor renovations to facilities, training teachers and other staff, conducting a needs assessment, and improving communications. However, funds may not be used for the "direct provision of any health or health-related services" (section 11005(a)(2)).

Regulatory Flexibility

As outlined above, the IASA adds a number of new requirements for title I programs, such as development of State and local plans, coordination of services, somewhat tighter restrictions on selection of participating schools and allocation of funds among them, etc. However, there are several ways in which State and local flexibility in the operation of title I is increased under P.L. 103-382. Two of these are discussed above--the expansion of eligibility for schools to operate schoolwide programs, and the extension of flexibility in those schools to include several other Federal education assistance programs; and the switch to use of State-developed or -adopted assessments for participating pupils and programs.

A third provision for increased flexibility is a broad regulatory waiver authority that would apply to **all** ESEA programs, not just title I. Under title XIV, part D, of the ESEA, as amended by the IASA, the Secretary of Education is authorized to waive most regulations of the ESEA that she or he determines impede the ability of State or local educational agencies to achieve the purposes of the ESEA. The waivers must be requested by SEAs, LEAs, or schools, and the proposal must include "specific measurable educational improvement goals and expected outcomes" for pupils eligible to be served by the relevant programs.

Waivers will be valid for up to 3 years, and can be extended by the Secretary if he or she deems them to be effective. Certain types of requirements may **not** be waived, including regulations regarding fiscal accountability (maintenance of effort, comparability of services, supplement/not supplant), private school pupil participation, parental involvement, fund allocation, consideration of ESEA funds in State school finance programs, civil rights, use of funds for religious worship or instruction, or the requirements for a charter school (title XI, part C). These waiver provisions are similar to Department of Education-wide waiver authority that is also provided under the Goals 2000: Educate America Act and the School-to-Work Opportunities Act.

More Flexibility or Less?

In spite of the broad regulatory waiver authority described above, it might be questioned whether, in net, the IASA offers more flexibility, or less, to States, LEAs, and schools receiving title I grants. While the regulatory waiver authorized in the revised ESEA title XIV, part D, is broad, the waivers must be specifically requested and approved for individual SEAs, LEAs, and schools; and regulations related to several major aspects of programs may not be waived.

Perhaps the most substantial and concrete way in which flexibility will be increased for title I program staff is the expansion of schoolwide program eligibility, and the inclusion of most other Federal assistance programs under this authority. However, a major Federal education program, the Individuals with Disabilities Education Act, is still excluded from the authority to provide services on a schoolwide basis.

Provisions allowing States to select the assessments used to evaluate pupil progress under title I are significant, especially during the current period when many States are developing alternative forms of pupil assessment. Nevertheless, this authority is accompanied by major requirements that States establish or adopt curriculum content and pupil performance standards. The States will be free to select the specific standards and related assessments; many constraints are placed on ED's authority in this area; and most States seem likely to set such standards and assessments in the near future anyway, whether with support under the Goals 2000 legislation or otherwise.[38] Nevertheless, at least some States may find the requirement to establish the required standards and assessments to be burdensome or contrary to State policy preferences.

Finally, the broad new authorities for regulatory waivers, schoolwide programs, and State-selected assessments are accompanied by numerous new types of requirements for title I programs. Most of these new or more restrictive requirements are discussed elsewhere in this report. These include requirements for: coordination of title I programs with providers of other health, nutrition, and social services needed by participating pupils; development of title I plans by States and LEAs; beginning in FY 1997, compliance with performance standards under the Head Start Act by LEAs using title I funds to extend

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[38]For example, ED has reported that at least 31 States have applied for grants under title III of Goals 2000, which would require them to set State content and pupil performance standards.

early childhood education services (unless the services are based on the Even Start[39] model); selection of participating schools and allocation of funds among them; increased attention to professional development; school-parent compacts, and use of a minimum of 1 percent of title I grants to a school for parental involvement activities; and provision of at least one-half of SEA revenues by State, not Federal, sources. While many of these requirements include their own limitations on Federal authority or coverage restrictions, or are minimal in scale, they nevertheless constitute new restrictions on the flexibility available to at least some local programs, that offsets the more publicized forms of increased flexibility authorized in the IASA.

Professional Development

While professional development of teachers and other staff responsible for pupils served by title I has always been an authorized use of funds, it has not previously been a major focus of the program. In debate over the IASA, substantial attention was paid to professional development needs, and on the most effective methods for making this a higher priority for recipient LEAs. Some independent organizations recommended that grantees be required to use a minimum share of title I grants for professional development. For example, the nongovernmental Commission on Chapter 1 advised that at least 10 percent, and ultimately at least 20 percent, of title I grants be reserved for this purpose.[40] The Senate-passed version of H.R. 6 would have required use of at least 10 percent of title I, part A funds received by each participating school for professional development (unless the resulting amount would be less than $5,000).

While the final version of the IASA avoided specific minimum proportions of title I grants that must be reserved for professional development, it does attempt to increase LEA attention to this activity in several ways. All participating LEAs are required to include "high quality" professional development activities, designed by school level staff, in their title I plans. All staff in schoolwide program sites may participate in these activities, as well as all staff in targeted assistance schools--not just those whose salaries are paid from title I funds--and parents, if their participation would further the program's purposes. Title I funds for professional development may be combined with other Federal grants for this purpose, such as those under the new ESEA title II, Dwight D. Eisenhower Professional Development Program.[41]

Special attention is paid to professional development for schools identified as needing improvement. These schools are required, over a 2 year period, **either** to use at least an amount equal to 10 percent of 1 year's part A grant for this purpose, **or** to otherwise demonstrate that the school is conducting effective professional development activities.

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[39]The Even Start program, authorized by part B of title I, authorizes assistance to local programs that jointly serve parents who have not earned a high school diploma (or equivalent) and their young children.

[40]Commission on Chapter 1. *Making Schools Work for Children in Poverty*. Dec. 1992. p. 50.

[41]U.S. Library of Congress. Congressional Research Service. *Eisenhower Professional Development Program: Moving Beyond Mathematics and Science*. CRS Report for Congress No. 94-846 EPW, by James B. Stedman. Washington, 1994.

The IASA also requires the inclusion of paraprofessional instructional aides in development activities, "when feasible." It further contains a new requirement that such aides should work under the direct supervision of a teacher, and should hold a high school diploma, or its equivalent, within 2 years of their employment, unless they possess skills in a non-English language that are necessary for effective communication between teachers and title I pupils. These provisions respond to recent criticisms that many instructional aides in title I programs do not have a high school diploma or equivalent, are otherwise deficient in academic skills, and/or frequently are not supervised by a certified teacher.[42]

State Administrative Provisions

The IASA contains several general provisions regarding State administration of title I programs. The provisions regarding State plans include a requirement that the plans include assurances that by October 1, 1998, more than one-half of the budget of the State education agency (SEA) will be funded by State, rather than Federal revenues. This provision was adopted in response to reports that in some States, a high share of the general SEA operating budget was being funded by funds reserved from Federal assistance programs, such as title I.[43]

Previously, grants for State administration and program improvement have been appropriated as "line items" separate from the appropriations for part A grants to LEAs. However, the IASA provides that State funds for these two purposes may be reserved by the SEA from the overall part A grant. The amounts that may be reserved--the greater of 1 percent of grants (under part A plus the State agency programs for migrant and neglected or delinquent children and youth) or $400,000 per State for State administration, and the greater of 0.5 percent of grants or $200,000 per State for program improvement--are the same as under previous legislation, except that the absolute minimum amounts have been increased to these levels from $325,000 and $180,000, respectively. There is also a separate authorization for additional appropriations for program improvement, beyond the amounts that States may reserve for this purpose. Some expressed concern during consideration of the IASA that this change in the provisions for State administration and program improvement would lead to a significant reduction in funds remaining for grants to LEAs. However, it seems at least as likely that total part A appropriations will be adjusted to account for this modification, with relatively little net effect on funds remaining for LEA grants, except that the amount available for State administration and program improvement may increase slightly, if States reserve the maximum authorized amounts.[44]

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[42]See, for example: Abt Associates, Inc. *The Chapter 1 Implementation Study*. 1992. p. 1-20 through 1-28.

[43]For information on this issue, see: U.S. General Accounting Office. *Education Finance, Extent of Federal Funding in State Education Agencies*. GAO/HEHS-95-3. Oct. 1994. 117 p.

[44]This increase would result from the fact that previous, separate appropriations for these purposes have generally been slightly below the maximum authorized amount, and the authorized amount is increased somewhat for the smallest States, affected by the absolute minimums of $400,000 for State administration and $200,000 for program improvement.

ED must develop title I, part A program regulations in at least the areas of schoolwide programs plus standards and assessment through a negotiated rulemaking process, to be completed by July 1, 1995. Under negotiated rulemaking, ED is to discuss proposed regulations with representatives of interested groups and organizations and, at least in theory, develop a compromise that is broadly acceptable. Such a process was undertaken after enactment of the most recent major ESEA amendments in 1988 (P.L. 100-297). Previous statutory requirements that ED publish a policy manual with detailed information on title I regulations, interpretations, etc., including concrete examples, are continued and expanded.

PARENTAL AND COMMUNITY INVOLVEMENT AND SERVICES

The revised title I statute encourages greater involvement by parents and other community members in title I programs through planning, school-parent compacts, and required use of 1 percent of grants for this purpose.

The IASA expands the title I parental involvement requirements to include development of school-parent compacts establishing shared responsibility for supporting the achievement of title I participants. In addition, LEAs are required to spend at least 1 percent of their title I grant on parental involvement activities, which may include parent education or training if necessary.[45]

The IASA requires participating LEAs and schools to develop and disseminate to parents a written policy on parental involvement in title I, that must include an annual meeting of all parents, additional meetings for individual or smaller groups of parents, and provision of information to parents on the program, including curriculum and assessment results. LEAs must also inform and assist parents in supporting their child's education at home. The policy must also include a "school-parent compact" establishing shared responsibility for improving pupil achievement. This compact must address such topics as parental responsibility for supporting their child's learning, communication between parents and teachers, reports to parents on the child's progress, and parental access to staff and classrooms for conferences and observation. This policy is to become part of the LEA's title I plan. The new legislation further requires that parents and other community members be involved in developing the title I plans for schools (in the case of schoolwide programs), LEAs, and States, in an annual review of the effectiveness of parental involvement policies, and in school improvement activities.

NATIONAL ASSESSMENT AND DEMONSTRATION OF INNOVATIVE APPROACHES

National Assessment and Evaluation

As the IASA's revisions to title I's requirements for pupil and program assessment are implemented, data on program effects will be available for pupils, schools, LEAs, and

[45]This requirement does not apply if the resulting amount reserved would be $5,000 or less.

P.L. 103-382 authorizes two types of national assessments of title I and its effects, a study of parent involvement activities, as well as discretionary grants to demonstrate new approaches to educating disadvantaged pupils, including projects to improve pupils' transition from preschool through the early elementary grades.

States, but there is no guarantee that results could be compared or aggregated across different States. As a result of this, and to provide other types of information on program practices and effects, P.L. 103-382 requires ED to undertake at least three studies of title I effectiveness, although it is possible that, in practice, two or more of these studies will be combined. The first of these is a new **national assessment** of title I that will examine a broad range of program operations and effects. The Secretary will use data gathered by the federally funded National Assessment of Educational Progress (NAEP), State evaluations, and other relevant sources for purposes of the title I assessment, where appropriate. An interim report is due by January 1996, and a final report by January 1, 1998. Second, ED is required to conduct a more targeted, ongoing **national evaluation** of title I's effects on pupil performance. This evaluation is to be based on a longitudinal sample that tracks pupils for at least 3 continuous years. Finally, ED is required to prepare a study of **parental involvement** activities in title I programs.

Demonstration Programs

The IASA authorizes $50 million for FY 1995, and "such sums as may be necessary" for succeeding years through FY 1999, for grants to SEAs, LEAs, or other public or private (nonprofit) organizations to demonstrate promising approaches to the education of disadvantaged children. Examples of such approaches might include accelerated curricula, use of new instructional technologies, strategies for schoolwide reform, integration of education with health and social services, or approaches focusing on special needs of particular groups of disadvantaged children, such as LEP or homeless children.

Title I did not previously authorize the Secretary of Education to support, at her or his discretion, any programs to test or demonstrate the effectiveness of new approaches in the education of disadvantaged children. However, the Department of Education has previously supported activities--such as the Follow Through program or the Center for Research on Effective Schooling for Disadvantaged Children--that have indirectly or partially served that purpose. In addition, legislation enacted earlier in the 103rd Congress (P.L. 103-227) to amend and extend the authorization for the Office of Educational Research and Improvement (OERI) authorizes a new National Institute on the Education of At-Risk Students, that is to support relevant research activities.

The bill also authorizes a program of **Innovative Elementary School Transition Projects**, focused on the transition of children of low-income families from kindergarten or other preschool programs through the early elementary school years. Of the total funds available for demonstration programs, the Secretary of Education is to use at least $10 million, but no more than $40 million, per year for these transition projects. The Secretary of Education will make discretionary grants to consortia of LEAs and early

childhood education providers, including Head Start programs where available, for transition services that include comprehensive services (directly or through referral) and extensive parental involvement. Grantees must establish a support services team, including a family services coordinator, to assist in meeting the multiple needs of eligible children. Priority in awarding grants will be given to LEAs with high numbers or percentages of children from low-income families, and that will provide services at schoolwide program sites. The Secretary of Education may use at least $3 million, but no more than $5 million, of the funds reserved for this program for national activities, including an evaluation, including at least $3 million for technical assistance and training. This authority is quite similar to those of the previous Follow Through[46] and the continuing Head Start Transition Projects programs, that have supported transition services in grades kindergarten through 3 for former Head Start participants and other children from low-income families.

PARTICIPATION BY PRIVATE SCHOOL PUPILS

Amendments to provisions for participation in title I by private school pupils are relatively minor, such as expansion of requirements for consultation between public and private school authorities

P.L. 103-382 makes few substantive changes to previous requirements that eligible pupils--i.e., educationally disadvantaged pupils living in relatively low-income areas--who attend nonpublic schools be served equitably under title I. Requirements for public school authorities to consult with private school officials regarding the provision of title I services to their pupils are expanded. It is emphasized that the consultation should be "timely and meaningful," and should include review of all of the legally permissible ways in which title I services may be provided to private school pupils, including those attending religiously-affiliated schools.

The IASA also: clarifies that the share of title I funds that an LEA uses to serve private school pupils should be equal to the share of children eligible to be served in the LEA who attend private schools; requires third parties ("bypass agents"), that provide title I services to private school pupils in LEAs or States that are unwilling or unable to directly provide such services, to be independent of private schools and religious organizations:[47] and provides for "capital expenses" grants to be allocated among the States in proportion to their number of private school pupils served under title I in the most recent year, rather than the fixed period of 1984-85 specified previously.

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[46]The Follow Through authorization is repealed by P.L. 103-382.

[47]Title XIV contains "uniform provisions" affecting a variety of ESEA programs, although its provisions regarding private school pupil participation do **not** apply to title I, part A, except where explicitly specified. Section 1120 of title I refers to sections 14505 and 14506 regarding by-pass agents, although provisions regarding use of by-pass agents are found in sections 14504 and 14506. It is possible that the section 1120 reference is erroneous, and was meant to refer to sections 14504 and 14506. It is also possible that it was intended that the provisions of section 14505 (complaint process for participation of private school children) should apply to all LEAs under title I, although now it applies only to cases where by-pass agents are employed.

APPENDIX: DATA RELATED TO EFFORT AND EQUITY FACTORS FOR TITLE I EDUCATION FINANCE INCENTIVE GRANT FORMULA

The following tables contain the latest available estimates of values for the State effort and equity factors used in the new title I, section 1125A education finance incentive grant formula. It should be noted that between the present time and the possible initial implementation of this formula in FY 1996, both of these factors will be revised, using more current data. While this updating should change the effort factor data relatively little, the changes in the equity factor data might be more substantial. This is because the equity factor data are collected less frequently, are based on data for a single year (rather than the 3-year average used for the effort factor), and the specific calculations required for this factor have not previously been performed by ED.

TABLE A-1. Estimates of Effort Factor in Title I Education Finance Incentive Grant Formula

State	Effort Factor (after application of floor and ceiling)
Alabama	0.95
Alaska	1.05
Arizona	0.95
Arkansas	0.95
California	0.95
Colorado	0.95
Connecticut	1.05
Delaware	1.02
District of Columbia	1.05
Florida	0.98
Georgia	0.95
Hawaii	0.95
Idaho	0.95
Illinois.	0.96
Indiana	1.02
Iowa	0.99
Kansas	0.98
Kentucky	1.00
Louisiana	1.01
Maine	1.05

Table continued on following page.

TABLE A-1. Estimates of Effort Factor in Title I Education Finance Incentive Grant Formula	
State	**Effort Factor (after application of floor and ceiling)**
Maryland	1.05
Massachusetts	1.03
Michigan	1.05
Minnesota	0.99
Mississippi	0.95
Missouri	0.95
Montana	1.05
Nebraska	0.97
Nevada	0.95
New Hampshire	0.97
New Jersey	1.05
New Mexico	0.95
New York	1.05
North Carolina	0.95
North Dakota	0.95
Ohio	1.05
Oklahoma	0.95
Oregon	1.05
Pennsylvania	1.05
Puerto Rico	0.95
Rhode Island	1.05
South Carolina	0.99
South Dakota	0.95
Tennessee	0.95
Texas	0.95
Utah	0.95
Vermont	1.05
Virginia	0.95
Washington	0.95
West Virginia	1.05
Wisconsin	1.05
Wyoming	1.05

TABLE A-2. Data Related to School Finance Variations in the States, Based on Census of Governments Data for 1989-90	
State	**Coefficient of variation estimate with a weight of 1.4 for poor children and 1.0 for nonpoor children**
Alabama	.117
Alaska*	.405
Arizona	.140
Arkansas	.126
California	.163
Colorado	.112
Connecticut	.137
Delaware	.104
District of Columbia	.000
Florida	.098
Georgia	.182
Hawaii	.000
Idaho	.152
Illinois.	.191
Indiana	.132
Iowa	.072
Kansas*	.137
Kentucky	.163
Louisiana	.112
Maine	.135
Maryland	.176
Massachusetts	.228
Michigan	.228
Minnesota	.124
Mississippi	.118
Missouri	.250
Montana	.158
Nebraska	.168
Nevada	.104
New Hampshire	.158
New Jersey	.175

Table continued on following page.

TABLE A-2. Data Related to School Finance Variations in the States, Based on Census of Governments Data for 1989-90	
State	**Coefficient of variation estimate with a weight of 1.4 for poor children and 1.0 for nonpoor children**
New Mexico*	.146
New York	.248
North Carolina	.106
North Dakota	.162
Ohio	.224
Oklahoma	.121
Oregon	.169
Pennsylvania	.213
Rhode Island	.098
South Carolina	.103
South Dakota	.131
Tennessee	.158
Texas	.144
Utah	.114
Vermont	.175
Virginia	.222
Washington	.097
West Virginia	.077
Wisconsin	.131
Wyoming	.151

*In calculating grants under section 1125A, the CVs for these States are set at a maximum of .10, because they meet the expenditure disparity standard for equalization under regulations for the Impact Aid program.